

Rural Electrification Administration

I. History:

REA was originally created by Executive Order 7037 (issued May 11, 1935) as an independent work-relief agency pursuant to the Emergency Relief Appropriation Act of 1935. Then, as now, the extension of electric service to unserved persons in rural areas was stressed but, since the occasion for the creation of REA was to afford work-relief to unemployed persons, construction of electric facilities with the funds loaned by the Government through REA had to be effected with proper weight being accorded to the additional objective of alleviating unemployment. Legislative status was accorded to REA as an agency to effectuate rural electrification, without particular regard to the effect of such program as a means of work relief, by the Rural Electrification Act of 1936 (Public 605, 74th Congress, approved May 20, 1936, 49 Stat. 1363).

The 1936 Act has been amended five times either directly or in practical effect. Under Title IV of the Work Relief and Public Works Appropriation Act of 1938 (Public Res. 122, 75th Cong., approved June 21, 1938, 52 Stat. 918), the so-called "Buy American" requirement was added. Under Reorganization Plan No. II, Section 5 (4 Fed. Reg. 2732), issued pursuant to the Reorganization Act (53 Stat. 1434), REA was transferred from its then independent status into the Department of Agriculture with the powers of the Administrator thenceforth to be exercised under the general direction and supervision of the Secretary of Agriculture. The Departmental Appropriation Act for fiscal 1942 (55 Stat. 410) placed responsibility for the REA legal work as well as supervision of the REA legal staff, under the Solicitor of the Department. The Department of Agriculture Organic Act of 1944 (Public Law 563, 78th Cong. 2d Sess., approved September 21, 1944, 58 Stat. 739) made several changes, the most important being: (a) increasing the permissible length of the amortization period on Section 4 loans; (b) reducing the interest rate; and (c) revising the basis of REA dealings with RFC. The so-called McCord Act (Public Law 563, 78th Cong. 2d Sess., approved December 23, 1944, 58 Stat. 925) amended such Organic Act to permit REA to refund certain obligations which coöperatives in the TVA area had incurred to TVA for rural line construction. The Rural Electrification Act, as amended, appears at 7 U.S.C. 901-915.

II. Programs of REA:

In the broader sense, these may be said to be two in number. First and most important is the program, under Section 4 of the Act, of making loans "to finance the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service." The second is based upon Section 5, conferring

authority to make loans to finance "the wiring of the premises of persons in rural areas and the acquisition and installation of electrical and plumbing appliances and equipment" - such loans being made either to borrowers of funds under Section 4, or to "persons, firms, or corporations supplying or installing" such wiring, appliances, or equipment. In addition, the Administrator is authorized, under Section 2, to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of rural electrification and to publish and disseminate information with respect thereto.

III. Scope of REA Program:

The following statistics will indicate the growth and present status of the REA program since its inception in 1935.

Appropriations (Loan Authorizations)

1935-6	\$ 13,928,288	1942	100,000,000
1937	46,500,000	1943	10,000,000
1938	30,000,000	1944	20,000,000
1939	140,000,000	1945	25,000,000
1940	40,000,000	1946	300,000,000
1941	100,200,000	1947	250,000,000
		Total	\$1,075,628,288

Loan Allocations by Types of Borrower and Purpose of Loans (as of May 31, 1946)

<u>Type</u>	<u>Number of Borrowers</u>	<u>Total</u>	<u>Distribution</u>	<u>Gen. & Trans.</u>	<u>Section 5</u>
Cooperatives	912	\$756,507,915	\$670,680,582	\$73,796,820	\$12,030,513
Pub. Power Dists.	38	25,388,354	23,840,154	952,850	595,350
Other Pub. Bodies	20	3,206,695	3,112,004	94,691	0
Private Utilities	20	5,117,448	4,479,948	637,500	0
	990	\$790,220,412	\$702,112,688	\$75,481,861	\$12,625,863

Percentage of Total Farms Electrified in United States

January 1, 1935 - 10.9%
 June 30, 1945 - 44.7%

Significant Figures re: REA Program (as of May 31, 1946)

Total Borrowers - 990
 Systems Energized - 855
 Consumers Connected - 1,520,519
 Consumers Allocated - 2,051,825
 Miles Energized - 469,186
 Miles Allocated - 661,393
 Funds Allocated - \$790,220,142
 Funds Advanced - \$502,093,811
 Retail KWH Sales (12 months
 ending June 30, 1945) - 2,066,122,000 KWH
 Retail KWH Sales (11 months
 ending May 31, 1946) - 1,990,297,000 KWH

Repayment Record on REA Loans (as of May 31, 1946)

<u>Item</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Amount Due	\$51,917,573.53	\$38,910,730.99	\$ 90,828,304.52
Amount Paid	51,219,090.41	58,596,315.07	109,815,405.48
Overdue more than 30 days	579,020.26	215,584.51	794,604.77
Advance Payments		19,975,593.25	19,975,593.25
Number of Borrowers with			
Overdue Payments	104	60	116
Advance Payments		645	645

IV. Division of REA Legal Work:(1) Electrification Loans Division.

The work of this Division consists of: (1) examining and approving loan dockets for conformance with the requirements and standards of the RE Act; (2) preparing all loan and security documents and corporate minutes and opinions of counsel, and supervising and approving the authorization of such documents and the execution thereof; (3) handling all security servicing problems which arise during the amortization period of each loan; (4) handling all legal work incident to the acquisition, by REA borrowers, of existing electric facilities, including the preparation or approval of the necessary documents and the conduct or supervision of formal closings; and (5) legal work incident to the consolidation and reorganization of REA borrowers, transfers and conveyances of property between borrowers, and sales of property by borrowers.

(2) Electrification Construction and Operation Division.

The work of this Division falls, broadly, into two categories: (1) legal matters incident to construction; and (2) legal matters incident to the operation of borrower's systems. The chief legal matters incident to construction include: (1) Approval and assistance in preparation of engineering, architectural, construction, and materials contracts, and approval of the authorization and execution thereof; (3) supervision and approval of all legal work incident to the obtaining, by REA borrowers of good title to all real property acquired by them and of a valid and continuous right of way for borrowers' transmission and distribution lines; and (4) problems incident to competitive bidding, insurance, performance bonds, etc. Legal problems incident to operation of REA borrowers' systems include: (1) preparation or review of articles of incorporation and bylaws, amendments of articles of incorporation and bylaws, advice in respect of conduct of annual meetings, and advice concerning validity of corporate action not directly and immediately related to a loan or the security therefor; (2) preparation or approval of wholesale power contracts, membership applications and retail rate arrangements; (3) tax questions; and (4) other operational questions.

(3) Electrification Consulting Division.

This Division is, in effect, a special service Division - as distinguished from the other two Divisions which are concerned with the normal day-to-day program operations of REA in respect of each of its borrowers. The Electrification Consulting Division deals with unusual problems arising outside the scope of normal operations. Most of these problems fall into two categories, litigation or legislation - although it may be called upon by the Solicitor or Associate Solicitor to handle other special problems which do not fall within the respective spheres of the two "line" Divisions. The litigation work is chiefly concerned with rendering assistance to REA borrowers in proceedings before courts, state regulatory commissions, or federal commissions such as the Securities and Exchange Commission. These proceedings normally involve or affect either the security for an REA loan, some basic problem of program policy, or the effective conduct of the REA program. The legislative work involves the making of studies of the laws of the various States,

affecting the REA program or REA borrowers, and proposed amendments to such laws, to determine the extent to which such laws or legislative proposals are adequate and congenial to the proper development of the rural electrification program - the results of such studies being made available, on request, to public officials, farm organizations, and REA borrowers and associations thereof in the various States.

